

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES  
MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S.  
GOVERNMENT POLICY

Voluntary    \_ Public

**Date:** 11/25/2013

**GAIN Report Number:** BR13010

## Brazil

**Post:** Sao Paulo ATO

### Report Categories:

#### Biofuels

#### Approved By:

Michael Fay, Director

#### Prepared By:

Sergio Barros, Agricultural Specialist

### Report Highlights:

A proposed reduction in Renewable Fuels Standard program for 2014 draws mixed reaction from Brazilian industry including the possibility of a legal challenge.

## Brazilian Reaction to EPA's Proposed 2014 Renewable Fuel Standards

On November 15, the U.S. Environmental Protection Agency (EPA) published a proposed rule calling for a reduction in the Renewable Fuels Standard (RFS) program for 2014. The proposed reduction calls for blending 15.21 billion gallons of ethanol into conventional fuels, which is below the congressional mandate of 18.15 billion gallons for 2014 (and 1.34 billion gallons below 2013 mandate of 16.55 billion gallons). The proposed decrease is in response to reduced fuel consumption in the United States. The proposed rule has a 60-day public comment period and EPA expects to release a final rule next spring.

The Sugarcane Industry Association (UNICA) which represents approximately 60 percent of the Brazilian sugar and ethanol industry has made no official statement from Brazil regarding the EPA proposal for 2014. UNICA press office advises that it will submit an official response to the proposed rule, but would not make a public statement before submitting this official response to EPA. Nevertheless, on November 15, 2013, UNICA's English language website posted a blog titled [EPA Signals Retreat on Greenhouse Gases by Minimizing Contributions from Foreign Producers of Advanced Biofuels](#) which includes comments such as *"Slashing the 2014 target for advanced biofuels would be a huge step backwards from the Obama administration's goal of decreasing greenhouse gases and improving energy security."* And *"Our association looks forward to commenting on this inadequate proposal and will continue to play an active role in the RFS rulemaking process, serving as a source of credible information about the efficiency and sustainability of sugarcane ethanol. Likewise, Brazil will continue to be a strong, dependable partner helping America meet its clean energy goals."*

Post contacts report that EPA's proposal is likely to reduce ethanol exports to the United States from an estimated 1.5 billion liters (0.4 billion gallons) in 2013 to 1 billion liter (0.26 billion gallon) in 2014. However, this may not have a major impact on the industry or Brazil's total exports because the expected lower volumes to the United States could be significantly offset by increased anhydrous and industrial ethanol exports to Asian countries such as the Philippines and South Korea. Part of the volume could also be absorbed domestically given that current market projections place the 2014 sugarcane crop and ethanol production at similar levels compared to 2013.

Valor Economico, an influential business daily published on November 19, that Bioagencia, an important Brazilian ethanol trader, reports that if the EPA's proposal is approved, Brazilian ethanol exports to the United States are forecast between 0.5 and 1.5 billion liters (0.13 and 0.4 billion gallons), down from 1.7 billion liters (0.45 billion gallons) estimated for 2013. Bioagencia indicates that in an optimistic scenario, Brazil will maintain its competitiveness both in California, which has its own Renewable Energy Program, and Florida because of logistical advantages compared to corn ethanol supplied from the mid-west.

Valor Economico also reports that biofuels expert Joel Velasco, senior vice president of Amyris, believes that the proposed rule could generate legal challenges based on the fact that EPA is proposing to reduce the target because of the projection in the demand for gasoline in the United States - which fell only 1 percent from 2013 to 2014.